

# CO-OPERATIVE

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*PHOTO BY RICHARD G. BIEVER, INDIANA STATEWIDE ASSOCIATION OF RURAL ELECTRIC CO-OPERATIVES*

## ELECTRIFYING CO-OPERATION

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# ELECTRIFYING CO-OPERATION

*The photo on the cover of this issue shows some of the 14,000 plus delegates who attended the 50th annual meeting of the National Rural Electric Co-operative Association in Anaheim, California in February 1992. The Association provides electricity for 25 million people. This article examines the co-operative option in relation to electricity services and examines what the American experience might mean for Australia.*

The electric industry in Australia is currently being restructured under a common program of corporatisation i.e. adopting the policies and practices of private enterprise while remaining under public ownership.

This corporatisation program has been criticised for :

- preparing the electric industry for private ownership and control.
- proposing an unworkable hybrid of public ownership and private control.
- ignoring privatisation as a more effective and efficient model.

In the U.S.A. however, a third player exists in the electrification scheme of things - the co-operative provider. It has been almost sixty years since the rural electric co-operative movement originated there, in the wake of the Rural Electrification Act 1936 which aimed to bring electricity to rural areas. Existing private and public utilities were slow to respond and, instead, farmers and other rural people formed their own co-operatives.

## **Consumer Millions**

Today there are approximately 1000 rural electric co-operatives owned and controlled by 12 million consumers and serving 10.5% of the country's population (25 million). The co-operatives own and maintain more than half

the electric distribution lines in the U.S.A., distributing about 7% of the nation's electricity.

In 1942 the National Rural Electric Co-operative Association was formed. The Association represents the interests of the co-operatives, provides training and technical assistance and publishes the Rural Electrification Magazine and the Rural Electric Newsletter. The association has 500 employees. In 1969 the National Rural Utilities Co-operative Finance Corporation was established to act as a conduit between the rural electric co-operatives and the private capital markets.

Up until 1990 one co-operative had failed - failing to operationalise when a private utility moved into an area to be served by the co-operative. Since 1985 fourteen co-operatives have been in financial difficulties. In 1990 seven of these co-operatives were under the jurisdiction of a workout unit of the Rural Electrification Administration. Between 1945 and 1988 there have been only fourteen successful takeovers of electric co-operatives by public or private utilities.

## **Social Purpose**

In Australia, state electric utilities have exclusively focused on the generation, transmission and distribution of electricity and their current corporatisation is based on structuring this focus within a private enterprise model. In the U.S.A. however, the rural electric co-operatives originated with and have maintained a broad social purpose - including satellite technology, health promotion and economic development.

In 1984 about 23% of rural electric co-operatives were involved in economic development. By 1990 this had increased to

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74%, and an additional 14% reported that they would launch programs. Since 1961 the co-operatives have helped start and expand more than 25,500 new commercial, industrial and community facility projects, producing nearly a million new jobs.

In 1986 the National Rural Telecommunications Co-operative was established to foster the development and growth of satellite technology in rural America. In 1987 the National Rural Health Network was established to promote healthy lifestyles and reduce risk for disease in rural communities.

The co-operatives see themselves as "a service organisation" which "holds a key place in the area where it provides electricity". Generally, "rural electric co-operatives are willing to help their communities whenever there is a need for the human and physical resources of a member-owned utility that the community has no established way for meeting".

### ***Difficult But Possible***

Electric co-operatives in the U.S.A. are enduring, efficient and profitable - an inspirational example of the potential application of co-operatives. The development of electric co-operatives in Australia will be difficult for at least four reasons. First, because the electric restructuring debate is dominated by proponents or opponents of corporatisation and privatisation. Second, this debate is based on a public-private paradigm and co-operatisation is structured out of the debate. Third, the channels for this debate subscribe to the public-private paradigm. Finally, there has not yet emerged a movement for the development of electric co-operatives.

Nonetheless, there are at least four factors which could open up the possibilities for the development of electric co-operatives in Australia. First, there is a latent dissatisfaction with a polar choice between corporatised public or private electric utilities. Second, the co-operative model provides the only

possibility for direct consumer ownership and control of electric utilities. Third, it is economically feasible to develop electric co-operatives because a statewide system of electricity generation, transmission and distribution has been established. Finally, co-operatives could become more attractive under conditions of current corporatisation and future privatisation.

### ***Conclusion***

The possibilities for rural electric co-operatives in Australia will depend on the development of a consumer movement. There will be opposition, but then that is the co-operative experience.

*- David Griffiths*

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*Edited by Patrick Mangan.*

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